
The Financial Condition of California's Independent Colleges and Universities: Report II

Background

An integral component of California's postsecondary education enterprise is its independent colleges and universities. Long considered an important and critical component of California's educational landscape, these institutions were referenced in the Preface of the Master Plan for Higher Education in California, 1960-1975:

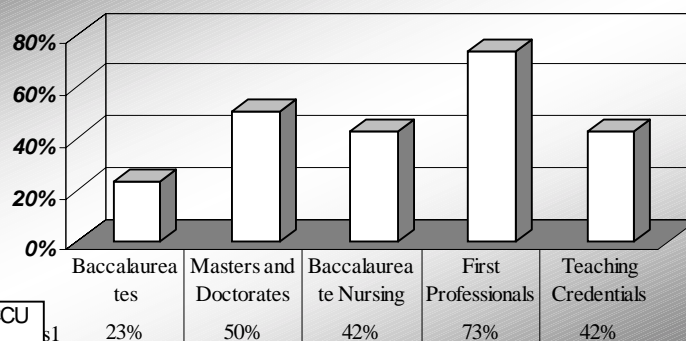
The Master Plan Survey Team recognizes the great contribution private colleges and universities have made and will continue to make to the state.

Indeed, the independent colleges and universities of California have a long history of providing quality educational opportunity to many Californians. The first colleges and universities in California were independent. The diversity of the sector contributes to the resources in the State.

Independent institutions range in size from 200 students to more than 30,000. Because of this scope, some independent institutions have outperformed public institutions in creating a diverse, multi-cultural student body and/or adopting strategies to enhance cultural sensitivity among their students. Some offer a strong religious affiliation; others offer specialization in certain disciplines. And some independent colleges and universities include a focus on specific populations; for instance, targeting the older, returning college student.

The State benefits from having a vibrant independent sector. In the first instance, it bears none of the capital costs for a sector, which provides substantial components of the educational resources in the State.

The Independent Contribution to Education in the State



Source: AICCU

Independent colleges and universities also offer students increased educational options within the state, and in many instances, a different institutional climate from many public sector institutions.

California has a tradition of cooperative activities between public and independent institutions, especially compared to the relationship between the sectors in Eastern states. Although public and private institutions collaborate and cooperate in many educational ventures, it is understandable that they also view each other as competitors in areas such as student recruitment and resource development. The Commission believes that a positive tension created by the presence of both public and private institutions within California is beneficial to the overall quality of postsecondary education as well as educational opportunity for students and learners of all ages.

The independent sector in California is significantly more important than in most other Western states. There are three internationally ranked research universities in California. In addition, there are a large number of nationally recognized colleges and universities. Indeed, the U.S. News and World Report chose the California Institute of Technology and the Time/Princeton Review chose the University of Southern California as their number one ranked institutions in the country for the current year.

**The contribution
of the sector
to the State's
economy**

The Center for the Continuing Study of the California Economy described the changes that the State's economy has made in the last decade. Before the recession of the early 1990s, California relied on defense related industries. The State came out of the recession as a result of the strength of several new areas of what some have called the new economy: computers, biotechnology, entertainment, international trade and professional services. All of those sectors require an educated population, and the independent colleges and universities have a significant role to play.

The true significance of these institutions is found in the number and the quality of the independent institutions graduates and their contributions to national, state, and local advancement. Their steady high-level performance in California higher education is influential and irreplaceable. Among other contributions, they:

- ◆ Employ over 45,000 full-time equivalent (FTE) faculty members and staff and expend over \$6,500,000,000 annually for general operations.
- ◆ Exceed \$20 billion in their collective gross assets.
- ◆ Would rank in the top 15 of the State's Fortune 500 businesses if consolidated.

Beyond the dollars and cents, California's independent colleges and universities represent a most extraordinary concentration of higher education resources to be found anywhere in the country. Collectively, these include:

- ◆ Programs that are offered in virtually every area of inquiry.
- ◆ A diverse student body drawn from around the globe and which produces scientists, statesmen, artists and entrepreneurs.
- ◆ The creation through research of jobs and whole industries as that work advances knowledge.
- ◆ A unique quality of life that is brought to every community in which independent colleges and universities are located.

And, beyond the impact they have on the students that they serve, these institutions, along with the public systems of higher education, strongly influence the economic condition of the State, the nation, and the world.

The study

In 1974, recognizing the historical educational and economic contributions of independent colleges and universities to the State, the legislature and Governor directed the California Postsecondary Education Commission (Commission) to develop periodic reports "... regarding the financial conditions of independent institutions..."

The statutory provision was recognition that State policies could influence the ability of the independent colleges and universities to continue to make contributions to the State's education resources. At the same time, the Constitutional prohibition against direct State support for the sector limits the policy options available for responding to the needs of the sector.

In compliance with the statutory mandate, there have been eight reports to date that have dealt with enrollment and application figures, the number of spaces available, and the respective cost of utilizing those spaces as compared to providing additional public spaces, each intended to provide "...recommendations concerning state policies and programs having a significant impact on independent institutions" [Education Code Section 66903(19)].

The subtleties of financial capabilities of the broad range of institutions in the independent sector has prompted the Commission to request collaboration on these reports with the Association of Independent California Colleges and Universities (AICCU). The first report of the nineties saw the association develop foundation resources and a nationally recognized peer review panel to review the substance of a report that was developed by the AICCU staff. The resultant report was presented to the Commission for review and comment and then was released to the public.

The presentation will begin with a brief review and trend analysis of the important educational, societal, and economic contributions of the independent sector to the state. Attention will then focus on the impact of state financial aid and student fees policies on the independent sector. In particular, the impact of these two policies on enrollments, institutional financial aid commitment, and the overall financial well-being of the in-

dependent sector will be assessed. The presentation will conclude with a trend analysis of a number of financial indicators summarizing the overall financial health of the sector.

The definition of what constitutes the independent sector relies on a statutory definition. In the Education Code the independent sector includes all of the WASC accredited degree-granting non-profit colleges and universities in the State. The AICCU has 75 members, which represents 98 percent of the enrollment in the sector. There are an estimated 112 private accredited institutions in the CPEC database but almost all of the remaining institutions are primarily religiously related institutions. The Association found that the process of development of the 1995 report allowed it to develop new types of analytical techniques that have been useful in the association's and Commission's research efforts.

**Study
importance**

The potential contributions of independent colleges and universities in responding to the California's needs for educational opportunities as a result of Tidal Wave II are significant. But, State policies to encourage the sector are purposefully indirect. The fundamental strength or weakness of the sector is primarily dependent on the competent financial management of the individual institutions themselves. But State policies can have a significant influence on the viability of the sector.

In its 1995 study, *The Uncertain Partnership* (the Commission's comments on this report are in *Financial Condition of Independent California Colleges and Universities*, CPEC 95-10), the AICCU indicated that:

The continued contributions of the independent sector to the state are dependent on a number of factors; some are in the control of the institutions themselves, others are in control of the state, still others are in the control of individual students and families. A strong partnership between the state and the independent sector is critical to the optimization of a continued role for the California independent colleges and universities (p.7).

The Commission agrees. Independent institutions and the State share a common interest in maintaining a healthy independent sector for California students. Thus, this series of reports is intended to illuminate how integral the independent sector is to California's total educational enterprise but the reports are also an opportunity to explore the effects of alternative policies of the State on the health of the sector.
